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THE MAGAZINE FOR GROWING COMPANIES

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STARTING WITH LESS THAN NOTHING
An Interview with Philippe Kahn
PAGE 32

THE FASTEST-GROWING CITIES IN AMERICA

INC.'s ANNUAL RANKING OF THE METROPOLITAN ECONOMIES: PAGE 90

Company Start-ups • Job Growth • Fast-Growth Companies

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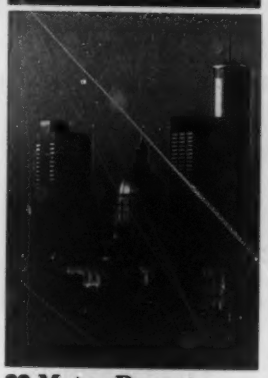

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Imagebuilder Design

MAP FROM THE ROAD ATLAS © 1989 BY RAND MCNALLY R.L.89-S-12

METRO REPORT

HOT SPOTS

In this year's ranking of metropolitan economies, growth is in the 'edge cities'

This year's Metro Report reflects the old saw that the more things change, the more they stay the same. Those areas at the top of the list—#1 Manchester-Nashua, N.H., #2 Orlando, and #3 West Palm Beach, Fla.—are becoming "usual suspects" in our annual surveys of fastest-growing regions. And at the bottom of the list, past losers reappear—such hard-hit Oil Patch towns as #184 Oklahoma City, #189 Shreveport, La., and #191 Odessa-Midland, Tex.

There are some patterns among the big gainers. One amusing note is the resurgence of gambling towns across the country. The three gaming cities all shot sevens this year—#31 Reno, Nev., up from #73, #46 Atlantic City, N.J., up from #118, and Las Vegas, which rose from a respectable #27 to this year's #6.

But Las Vegas's rise, in particular, stems from something far more important than the appeal of easy money. As part of a greater trend, the U.S. economy is moving to places where, only a few years ago, cattle grazed or cactus grew. From New England to southern California, entrepreneurs are clustering in suburban subdivisions and satellite cities rather than in the teeming traditional downtowns.

"America is going through the biggest change in urban life in more than 100 years," notes Joel Garreau, a senior writer on urban affairs at *The Washington Post*. "Instead of simply living out in the suburbs and working in the city, where he has to deal with crime and drugs, the entrepreneur now goes out and builds his business where he lives."

With its relatively small center city and its numerous, expanding suburban clusters, Los Angeles (#59) epitomizes Garreau's concept of the "edge city." It challenges megalopolitan rivals New York City (#108) and Chicago (#119) with its diverse and vital entrepreneurial economy (see "I Love L.A.," page 96). More impressive still has been the growth in Los Angeles's numerous satellite towns, such as Anaheim (#8), Riverside-San Bernadino (#12), and Ventura (#27), all of which have become significant economic regions in their own right.

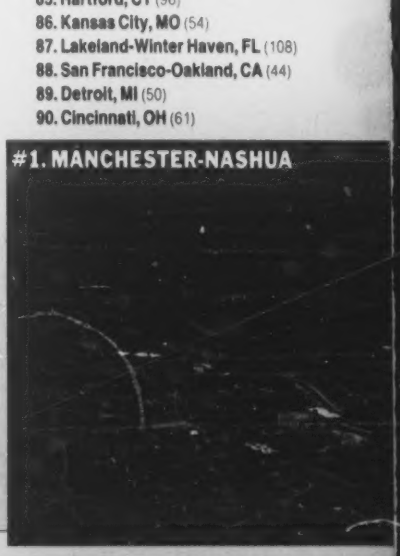
This edge-city pattern is not restricted to southern California, however. Some of the fastest-growing major metropolitan areas on our 1989 list—Orlando (#2), Washington, D.C. (#5), and Atlanta (#7)—mirror the Los Angeles pattern. Much of their new growth takes place in suburban, industrial, and business districts. In the booming Washington area, for instance, once sleepy Tysons, Va., has grown into a city with the largest downtown in the state, and nearby Rockville-Gaithersburg, Md., now boasts more office space than downtown Baltimore. These emerging cities rely on the automobile, and their populations swell during the day with numerous commuters.

Top cities on our list that have developed as satellites of a

BY JOEL KOTKIN & SARA BAER-SINNOTT

METRO RANKING

1. **Manchester-Nashua, NH** (2)
2. **Orlando, FL** (3)
3. **West Palm Beach, FL** (NR)
4. **Raleigh-Durham, NC** (6)
5. **Washington, DC** (8)
6. **Las Vegas, NV** (27)
7. **Atlanta, GA** (5)
8. **Anaheim, CA** (NR)
9. **Portsmouth, NH** (13)
10. **Phoenix, AZ** (4)
11. **San Diego, CA** (10)
12. **Riverside-San Bernadino, CA** (NR)
13. **San Jose, CA** (NR)
14. **Ft. Myers, FL** (17)
15. **Nashville, TN** (11)
16. **Jacksonville, FL** (22)
17. **Austin, TX** (1)
18. **Norfolk-Portsmouth, VA** (20)
19. **Charleston, SC** (19)
20. **Columbia, SC** (45)
21. **Ft. Pierce, FL** (NR)
22. **Huntsville, AL** (7)
23. **Panama City-Ft. Walton Beach, FL** (NR)
24. **Lexington, KY** (47)
25. **Tucson, AZ** (12)
26. **Dallas-Ft. Worth, TX** (9)
27. **Ventura, CA** (NR)
28. **Burlington-Montpelier, VT** (NR)
29. **Charlotte, NC** (32)
30. **Richmond, VA** (25)
31. **Reno, NV** (73)
32. **Indianapolis, IN** (35)
33. **Tampa-St. Petersburg, FL** (15)
34. **Sarasota, FL** (29)
35. **Baltimore, MD** (24)
36. **Wilmington-Jacksonville, NC** (NR)
37. **Columbus, OH** (31)
38. **Gainesville, FL** (NR)
39. **Portland, ME** (37)
40. **El Paso, TX** (26)
41. **Greensboro-Winston Salem, NC** (28)
42. **Wilmington, DE** (36)
43. **Seattle, WA** (40)
44. **South Bend, IN** (18)
45. **Ft. Wayne, IN** (38)
46. **Atlantic City, NJ** (118)
47. **Montgomery, AL** (81)
48. **Pensacola, FL** (16)
49. **Sacramento, CA** (46)
50. **Minneapolis-St. Paul, MN** (34)
51. **Lancaster, PA** (57)
52. **Ft. Smith-Fayetteville, AR** (39)
53. **Boston, MA** (23)
54. **Birmingham, AL** (64)
55. **San Antonio, TX** (21)
56. **Melbourne-Titusville, FL** (48)
57. **Memphis, TN** (30)
58. **Grand Rapids, MI** (51)
59. **Los Angeles, CA** (33)
60. **Albuquerque, NM** (14)
61. **Tallahassee, FL** (42)
62. **Knoxville, TN** (65)
63. **Miami, FL** (41)
64. **Worcester, MA** (55)
65. **Savannah, GA** (53)
66. **Bridgeport-Stamford, CT** (58)
67. **Stockton-Modesto, CA** (80)
68. **Wichita, KS** (102)
69. **Metro New York (NJ), NJ** (NR)
70. **Monterrey, CA** (101)
71. **Louisville, KY** (100)
72. **Lincoln, NB** (69)
73. **Jackson, MS** (70)
74. **Philadelphia, PA** (49)
75. **Madison, WI** (82)
76. **Hickory, NC** (NR)
77. **Springfield, MO** (93)
78. **York, PA** (104)
79. **Salt Lake City, UT** (56)
80. **Daytona Beach, FL** (59)
81. **Harrisburg, PA** (113)
82. **New Haven, CT** (68)
83. **Rochester, NY** (90)
84. **Greenville-Spartanburg, SC** (74)
85. **Hartford, CT** (96)
86. **Kansas City, MO** (54)
87. **Lakeland-Winter Haven, FL** (108)
88. **San Francisco-Oakland, CA** (44)
89. **Detroit, MI** (50)
90. **Cincinnati, OH** (61)



METRO LEADERS

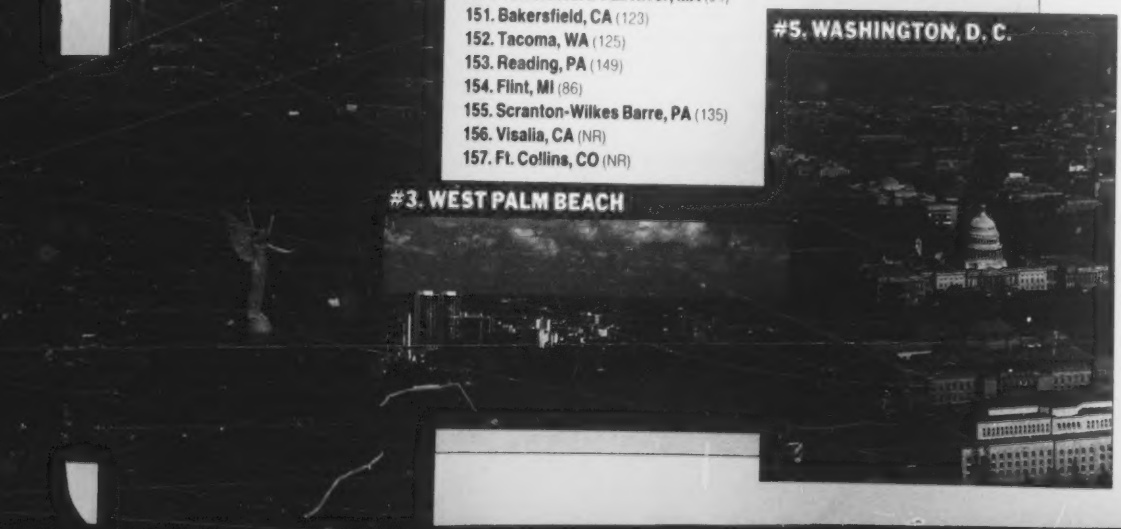
Company Start-ups:
West Palm Beach, Fla.

Job Growth:
Atlantic City, N.J.

Fast-Growth Companies:
Manchester-Nashua, N.H.

91. Albany, NY (66)
92. Sioux Falls, SD (NR)
93. Honolulu, HI (83)
94. Denver-Boulder, CO (52)
95. Boise, ID (85)
96. Chattanooga, TN (105)
97. Augusta, GA (62)
98. Syracuse, NY (112)
99. Toledo, OH (75)
100. Green Bay, WI (111)
101. Mobile, AL (114)
102. Portland, OR (57)
103. Omaha, NB (76)
104. Roanoke, VA (97)
105. Macon, GA (60)
106. Long Island, NY (NR)
107. Dayton, OH (71)
108. New York, NY (79)
109. Santa Barbara, CA (43)
110. Colorado Springs, CO (63)
111. St. Louis, MO (84)
112. Poughkeepsie, NY (NR)
113. Lansing, MI (67)
114. Metro New York (NY), NY (NR)
115. Fargo, ND (NR)
116. Binghamton, NY (115)
117. Asheville, NC (NR)
118. Providence, RI (103)
119. Chicago, IL (95)
120. Eugene, OR (121)
121. Milwaukee, WI (109)
122. Baton Rouge, LA (88)
123. Waco-Killeen, TX (99)
124. Des Moines, IA (130)
125. Erie, PA (138)
126. Houston-Galveston, TX (92)
127. Biloxi, MS (NR)
128. Rockford, IL (98)
129. Fresno, CA (120)
130. Battle Creek-Kalamazoo, MI (110)
131. Youngstown, OH (124)
132. Cedar Rapids, IA (117)
133. New London, CT (91)
134. Cleveland-Akron, OH (106)
135. Lima, OH (NR)
136. Bloomington-Champaign, IL (119)
137. Little Rock, AR (72)
138. Johnson City-Kingsport, TN (141)
139. Pittsburgh, PA (131)
140. Buffalo, NY (127)
141. Fayetteville, NC (NR)
142. Anniston-Gadsden, AL (NR)
143. Topeka-Lawrence, KS (78)
144. Springfield, MA (116)
145. Pittsfield, MA (122)
146. Williamsport-State College, PA (NR)
147. Salem, OR (NR)
148. Allentown, PA (134)
149. Spokane, WA (107)
150. New Bedford-Fall River, MA (94)
151. Bakersfield, CA (123)
152. Tacoma, WA (125)
153. Reading, PA (149)
154. Flint, MI (86)
155. Scranton-Wilkes Barre, PA (135)
156. Visalia, CA (NR)
157. Ft. Collins, CO (NR)
158. Columbus, GA (140)
159. Evansville, IN (128)
160. Johnstown-Altoona, PA (126)
161. Huntington, WV (148)
162. Terre Haute, IN (NR)
163. Canton, OH (152)
164. Saginaw-Bay City, MI (89)
165. Rochester, MN (NR)
166. Springfield, IL (146)
167. Charleston, WV (147)
168. Brownsville, TX (132)
169. Tulsa, OK (133)
170. Longview, TX (136)
171. Lafayette, IN (NR)
172. Peoria, IL (153)
173. Utica-Rome, NY (145)
174. Anchorage, AK (NR)
175. New Orleans, LA (137)
176. Wichita Falls, TX (NR)
177. Davenport-Rock Island, IL (150)
178. Monroe, LA (NR)
179. Duluth, MN (154)
180. Anderson-Muncie, IN (NR)
181. Lubbock, TX (144)
182. Lynchburg, VA (NR)
183. Beaumont, TX (142)
184. Oklahoma City, OK (151)
185. Corpus Christi, TX (129)
186. Yakima-Richland, WA (NR)
187. Amarillo, TX (143)
188. Lafayette, LA (155)
189. Shreveport, LA (139)
190. Wheeling, WV (NR)
191. Odessa-Midland, TX (156)

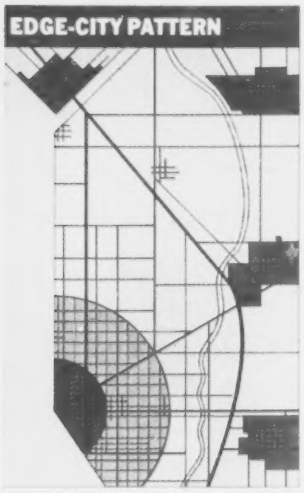
The U.S. economy is moving to places where, only a few years ago, cattle grazed or cactus grew. From New England to southern California, entrepreneurs are clustering in suburban subdivisions and satellite cities rather than in the teeming traditional downtowns.



PHOTOGRAPHS, FROM LEFT:
ALEX S. MACLEAN/LANDSLIDES
PAUL DEGRUCCIO/UNIPHOTO
THOMAS JASON/IN STOCK
STACY PICK/UNIPHOTO

larger dynamic region include Manchester-Nashua and Portsmouth (#9), N.H. They are essentially edge cities of Boston (#53), itself a vigorous metropolitan area.

These edge cities tend to be located close to excellent highways and major airports, facilities as important today as railroad hubs were to the core cities of the last century. Good schools, low crime rates, the availability of housing, and business-oriented local governments also contribute to the suburban appeal.



Entrepreneurs are choosing edge cities for their start-ups.

Another, perhaps less obvious, lure may lie in the basically unsettled nature of life on the suburban edge. "It's a place where the whole culture is 'Fix it first and deal with the consequences later,'" points out Garreau. "The people who like the status quo stay downtown where the old elites are. People who are out there redefining themselves, like entrepreneurs, are attracted to places that are new, where things are more flexible."

HOW THE CITIES WERE RANKED Our third annual report on metropolitan areas is based on three factors: job generation, rate of significant new business start-ups, and the percentage of young companies enjoying high growth rates. For each factor, each metropolitan area was assigned a score from 1 to 33.33, reflecting its relative standing among cities in the United States. The overall rank of a city was based on the sum of the three scores.

Metropolitan areas were defined as counties or groups of counties closely related by commuting patterns. In general, a densely settled suburban community was grouped with an urban county if 15% of its residents reported working in the city. This year, to make our report more comprehensive, we have added 35 newly defined metropolitan areas. These additions should be taken into account when comparing a city's 1988 rank with the 1989 rank.

The rate of significant business births was derived by dividing the total number of business enterprises in an area by the number founded since January 1984 that had 10 or more employees by July 1988. The number of high-growth companies was figured as a percentage of all companies founded between January 1980 and January 1984. For each company, an index was calculated by multiplying its absolute growth in employment between January 1984 and July 1988 by its percentage of employee growth during the same period. Companies with an index of 20 or higher were classified as high growth. Employment figures measure the change in private nonagricultural and civilian public-sector employment between January 1984 and July 1988.

Data on companies were compiled by Cognetics Inc., a Cambridge, Mass.-based consulting firm. Job data were supplied by the U.S. Bureau of Labor Statistics and Woods & Poole Economics Inc., a research firm in Washington, D.C.

The ranking was prepared under the direction of special projects editor Sara Baer-Sinnott. For a complete listing of all rankings or for information on reprints, please call (800) 372-0018.

METRO RANKING/THE TOP 50

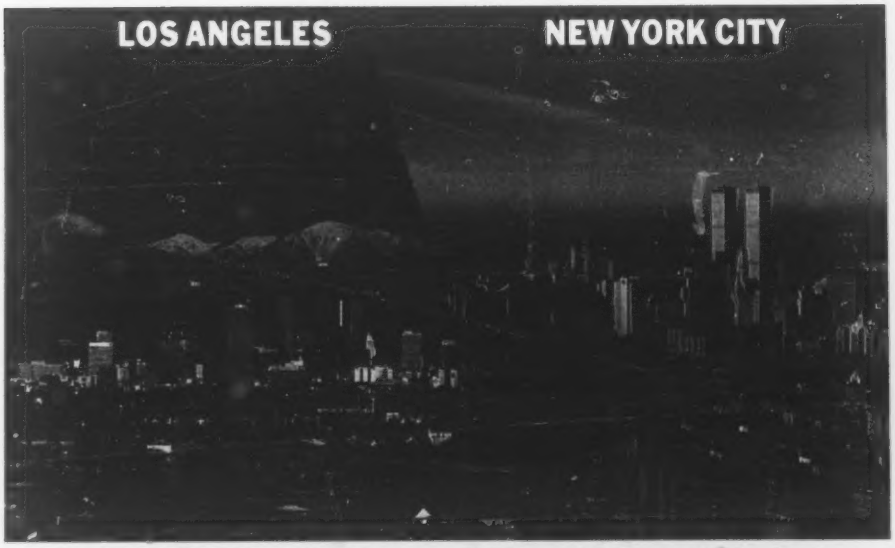
1989 Rank/Area	Growth in Jobs	Business Birthrate	% of Fast-Growing Companies
1. Manchester-Nashua, NH	27.1%	3.31%	7.01%
2. Orlando, FL	35.2	4.41	4.13
3. West Palm Beach, FL	27.2	4.49	3.93
4. Raleigh-Durham, NC	24.1	3.82	4.98
5. Washington, DC	25.7	3.58	5.08
6. Las Vegas, NV	30.3	4.32	3.32
7. Atlanta, GA	22.6	4.03	4.53
8. Anaheim, CA	22.2	4.21	4.1
9. Portsmouth-Dover, NH	32.4	2.96	5.07
10. Phoenix, AZ	24.5	3.70	4.46
11. San Diego, CA	27.6	3.62	4.25
12. Riverside-San Bernadino, CA	35.1	3.48	3.31
13. San Jose, CA	7.6	3.52	5.75
14. Ft. Myers, FL	34.1	3.43	2.97
15. Nashville, TN	18.4	3.63	4.18
16. Jacksonville, FL	26.4	3.36	3.66
17. Austin, TX	11.2	4.34	3.51
18. Norfolk-Portsmouth, VA	25.4	3.29	3.68
19. Charleston, SC	21.4	3.90	2.91
20. Columbia, SC	19.2	3.29	4.17
21. Ft. Pierce, FL	32.7	3.19	2.84
22. Huntsville, AL	28.0	3.61	2.59
23. Panama City-Ft. Walton Beach, FL	28.0	3.44	2.71
24. Lexington, KY	17.7	3.39	3.57
25. Tucson, AZ	15.9	3.35	3.80
26. Dallas-Ft. Worth, TX	13.1	3.80	3.30
27. Ventura, CA	24.4	3.08	3.32
28. Burlington-Montpelier, VT	23.1	2.78	3.94
29. Charlotte, NC	23.0	2.91	3.70
30. Richmond, VA	21.0	2.68	4.25
31. Reno, NV	25.8	2.89	3.36
32. Indianapolis, IN	22.2	2.67	4.10
33. Tampa-St. Petersburg, FL	20.8	3.21	3.30
34. Sarasota, FL	26.8	2.92	3.10
35. Baltimore, MD	14.1	3.05	4.14
36. Wilmington-Jacksonville, NC	21.9	3.20	3.01
37. Columbus, OH	22.5	2.62	3.92
38. Gainesville, FL	29.3	2.49	3.37
39. Portland, ME	23.0	2.37	4.24
40. El Paso, TX	11.2	3.71	3.15
41. Greensboro-Winston Salem, NC	15.4	2.72	4.35
42. Wilmington, DE	21.8	2.48	4.01
43. Seattle, WA	25.9	2.45	3.61
44. South Bend, IN	19.3	2.57	4.01
45. Ft. Wayne, IN	30.7	2.14	3.42
46. Atlantic City, NJ	44.5	1.86	2.38
47. Montgomery, AL	16.5	3.04	3.27
48. Pensacola, FL	16.9	2.74	3.72
49. Sacramento, CA	28.8	2.44	2.96
50. Minneapolis-St. Paul, MN	17.7	2.44	4.11

Among the top metropolitan areas on our list, growth in jobs is related to the number of young, fast-growing companies.

I LOVE L.A.

Why Los Angeles is fast replacing New York City as the economic capital of America

BY JOEL KOTKIN



While New York has become more dependent on Wall Street and the Fortune *500, Los Angeles thrives on a mix of fast-growing companies, a high rate of new business formations, and new jobs.*

When New York City native Albert Boyars shipped out with the navy during World War II, his will specified that if Boyars were killed in action he'd be buried under the trolley tracks in Times Square. But today Boyars—like many involved in New York's small-business community—finds his company handicapped by conditions fostered by the very city he loves.

Beset by proposed rent increases that would total 350%, Boyars's company, Trans-Lux Corp., last January shut down its popular multiscreen show, The New York Experience, after 15 years of operation and more than 6 million customers. Boyars is now looking for another venue for the show. "We just can't do it here anymore," he says.

Boyars's case is not an exceptional one. Once the center of a vibrant and creative entrepreneurial community, New York's smaller companies are often squeezed out now as a handful of corporations, banks, insurance, and other financial-services companies govern the city's economy. As a result, New York—long the cultural and financial center of American life—is rapidly losing its primacy.

Across the country another city tells a radically different story. Los Angeles was long regarded as Tinseltown, a sprawling company town for the Hollywood fantasy factories. But in recent years Los Angeles has developed into a leading center for art, fashion, and advertising—industries once dominated by New York City.

This shift from New York to Los Angeles reflects what *Washington Post* senior writer Joel Garreau calls the "edge city" phenomenon: entrepreneurs looking to start companies in suburban settings as opposed to downtown centers. While New York has become ever more dependent on the fading powers of Wall Street and the *Fortune* 500, Los Angeles's economy thrives on a mix of small, fast-growing companies, a high rate of new business formations, and new jobs. And at a time when manufacturing activities are becoming a driving force for economic growth, southern California boasts the nation's largest and most vigorous industrial economy (see chart on page 99).

Propelled by the growth of trade with Asia and increased immigration, southern California is rapidly replacing New York as the new center for international commerce. The port of Los Angeles-Long Beach is now, in terms of the value of goods handled, the nation's largest. Los Angeles's downtown, once deteriorating, now bustles with new construction projects, many of them financed by Japanese and other foreign investors.

"New York's going to remain a great city, but 20 years down the road, things may change," believes Sam Ehrenhalt, commissioner for the New York region of the federal Bureau of Labor Statistics (BLS). "Los Angeles has the raw physical energy and, if they harness that, it will become the true world city."

Until the October 1987 stock-market crash, New York City's economy seemed buoyant even with its weakened small-busi-

CORNER TABS: RADIOMAYONNAISE

ness sector. But while small business accounted for nearly two-thirds of all new private-sector jobs nationwide between 1978 and 1986, entrepreneurial companies accounted for only about one-fifth of New York's new private-sector jobs from '78 to '87. Almost all of the city's growth came from its large financial firms and those service businesses, like law and consulting, that feed from the paper economy. "It was easy to become service oriented with all these service giants around," notes Lee Smith, an economic adviser to New York governor Mario Cuomo. "We had this transaction-based economy that helped keep the hotels filled, the printing firms busy, and the lawyers happy."

This success, Smith points out, conditioned New York's political leadership to regard lightly the slow decline of its small-business community. Big business was the future, and the city lavished tax abatements and other breaks on such giants as Chase Manhattan and NBC in order to keep them from leaving their high-rent Manhattan towers. City leaders looked the other way as soaring rents and energy costs strangled many smaller, nonfinancial companies, ranging from photography studios and ethnic restaurants to theater companies.

Perhaps the most severe damage took place in New York's once large industrial sector. For nearly a century the city was an energetic national center for smaller, specialized manufacturing concerns. Over the past decade alone, it has experienced a 30% drop in manufacturing employment, a reversal even more severe than that felt in the Rust Belt. From 1985 to '87, as the nation gained 243,000 new manufacturing jobs, New York City's industrial sector atrophied. Its industrial firms laid off 6% of their employees.

"We seem to have an environment that is not congruent with entrepreneurship and innovation," BLS commissioner Ehrenhalt explains. "This is what New York had in the 1940s and '50s, and now it's just sputtered out. All that small-scale production has been moving out in droves."

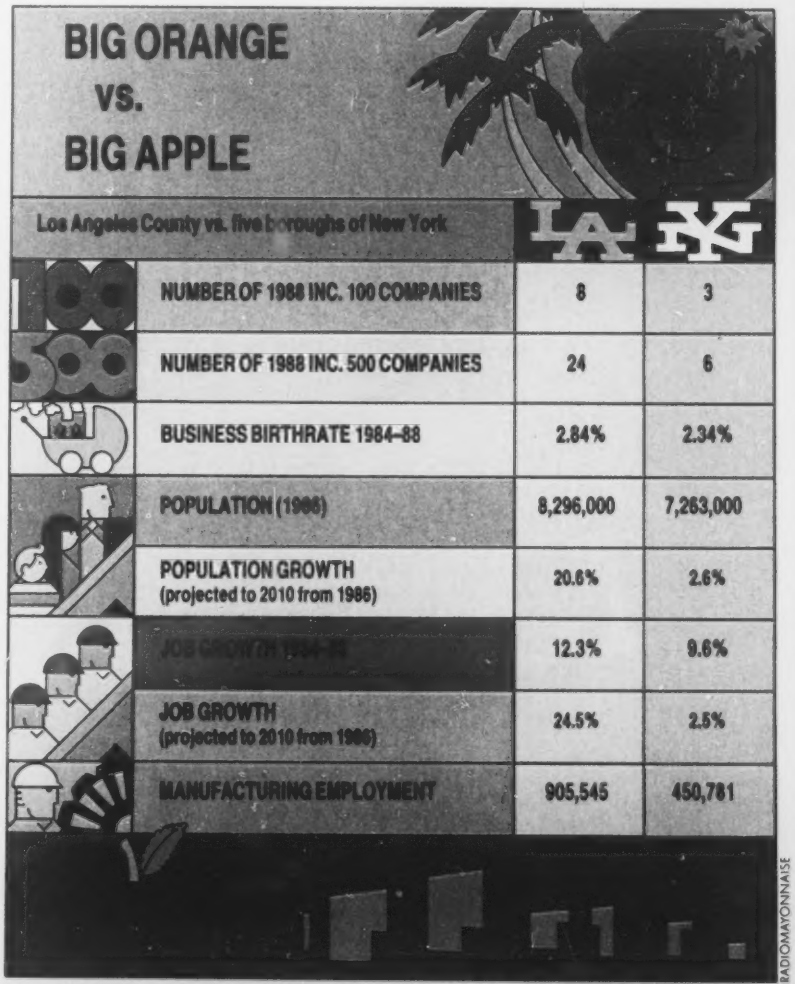
Until the stock-market crash, such arguments were dismissed as archaic by those who saw the decline of local manufacturing as part of an inevitable evolution toward a postindustrial economy. And certainly some growth companies involved in financial services, such as the First Manhattan Consulting Group, have continued to thrive despite the hard times. "For us, the Crash has helped, since people needed more [consulting] help," observes company president Jim McCormick, whose sales reached $20 million, up from $14.6 million the previous year. "Many of our customers, the investment banks and the big [commercial] banks, are here, so this is where we should be headquartered."

But McCormick's experience is atypical. Wall Street, largely responsible for New York's economic recovery in the early 1980s, eliminated 12,000 jobs in the first half of 1988. New York City's economy has started to falter, with job growth falling to almost one-third of the national average. Other key indicators—such as the office vacancy rate, which is expected to reach 15%—suggest further weakening.

Meanwhile, other regions have been enjoying robust economic growth. While the financial-services industry has suffered from the Crash and a weaker dollar, industrial and export-oriented regions—from the Pacific Coast to the Rust Belt—have experienced strong growth. "Current conditions with the dollar," notes economic forecaster Albert E. Sindlinger, "have made New York the weakest spot in the country. The dependence on financial services and real estate is making it decline fast."

Southern California is among the winners in the move to a lower dollar. With the most small, fast-growth industrial companies in the nation, Los Angeles has emerged as the leading manufacturing region in North America, with well over 900,000 factory workers, almost three times as many as New York. This industrial might, maintains Jerry Jordan, senior vice-president and chief economist for First Interstate Bancorp., puts Los Angeles in the position to reap benefits from the weakened greenback in ways not possible for an increasingly deindustrialized, nonexporting New York.

"In 1987 we started to pass the baton from the consumer and financial sector to the producer sector, with manufacturing providing the dynamism," Jordan explains. "This change tilts toward Los Angeles and away from New York." *(continued)*



West versus East: Los Angeles outperforms New York in categories of job growth, manufacturing employment, and the number of INC. 100 and 500 companies.

Take, for example, Windline Amanet, a fast-growing Los Angeles manufacturer. The company produces a range of products, from marine hardware to industrial and aerospace components—with a rising proportion, now roughly 10% of output, going overseas. Company president Robert G. Barbour describes Los Angeles's diverse and highly entrepreneurial economy as ideal for small manufacturing concerns.

"This town's an incubator for people like me," says Barbour, who saw 1988 sales of more than $3.5 million, a jump of some 75% from the previous year. "Nothing is too bizarre out here. No matter what you want, let's say 100,000 purple paper clips, you can find 50 suppliers who can do it in this town."

But a dynamic industrial economy means more than growth for entrepreneurs. It also provides important opportunities for minorities and immigrants, a significant factor considering that approximately one out of every eight foreign-born Americans called Los Angeles County home in 1985. In some of the county's manufacturing industries, Hispanics constitute almost half of the work force.

PHOTOGRAPH BILL ROSS/WESTLIGHT

Los Angeles provides opportunities for immigrants . . .

In contrast, the decline of New York City's industrial sector has denied similar opportunities to the city's large minority population. Predominantly black and Hispanic Brooklyn—just across the East River from glittering Manhattan—has lost nearly one-third of its manufacturing jobs in just the past 10 years. Although official unemployment rates remain low, the somber reality is that nearly half the city's working-age population are not employed and are not seeking employment. For those seeking jobs today, New York is now among the worst cities in which to land an entry-level manufacturing job.

In contrast, Los Angeles leads the nation in the number of both Hispanic and black-owned businesses. And in a recent study of Asian-owned businesses, Los Angeles recorded a per-capita rate of ownership almost 50% higher than New York.

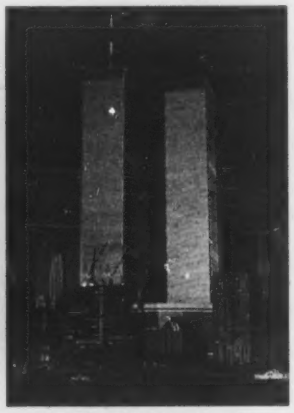
These immigrants are helping to transform once-provincial Los Angeles into a cosmopolitan cultural center. And Los Angeles exports that culture, boosting sales of locally produced music, film, and television programs to world markets. "Los Angeles represents the lifestyle people want, and the Japanese love L.A. even more than we do," says Sandy Saemann, executive vice-president of LA Gear Inc., a fast-growing retailer of athletic footwear and other accessories now selling in East Asian markets. "Tokyo is more interested in what's going on in L.A. than in New York."

And Los Angeles has begun to challenge New York's last great bastion of power, its financial-services industries. Spurred by the growing presence of foreign (largely Japanese) financial institutions, Los Angeles in recent years has emerged as the undisputed financial center of the West Coast. The growth of new industry and continued rapid immigration has led to an increase in deposits in local financial institutions. Between 1980 and 1985, for instance, total deposits in Los Angeles's banks and S&Ls jumped more than 60%, while those in New York declined.

New York's financial giants are themselves key contributors to this growth, which is already putting Los Angeles within striking distance of the Big Apple's financial assets. Even as they cut back their operations in Manhattan, many prominent investment banks—including Dean Witter Reynolds Inc. and First Boston Inc.—have boosted their payrolls in Los Angeles. James D. Farley, vice-chairman of Citicorp, the nation's largest financial-services company, notes that with the inception of interstate banking between New York and California in 1991, this East-to-West trend is likely to continue.

A 39-year Citicorp veteran and member of its board of directors, Farley came to Los Angeles in January 1987 to head up the bank's California and Pacific Basin operations. He sees the city as a financial center eventually rivaling New York. Already, Citicorp has boosted its employment in California to more than 6,000 employees, up from 2,500 in 1982, and Farley expects that by the year 2000 there'll be as many employees in its Los Angeles–based operation as in New York.

"You can't sell New York short—it's a fantastic place with lots of talent," Farley notes. "But you have to realize that the great growth will be out here. This is where the future will be exciting."



PHOTOGRAPH VALERIE BROWN UNIPHOTO

While New York's minorities remain outside the economy.

Numerous factors lie behind this newfound appreciation for Los Angeles's prospects. There has been the rapid increase in Asian economic power, something that most directly benefits Los Angeles as the prime entrepôt for Pacific Rim trade. Equally important, there is a growing recognition of the advantages—in terms of skills, entrepreneurial spirit, and dedication to work—the new immigrants bring to local economies.

"Immigration is increasingly the key, and Los Angeles has both the immigrants and their trade," notes George Sternlieb, professor and regional growth expert at New Jersey's Rutgers University. "There's nothing wrong with New York that 1 million Chinese wouldn't cure."

Most important of all has been the change in how people look at the economy. Cities once traced their economic power by the number of *Fortune* 500 companies based there. Today many of those leading headquarters cities—including New York, Chicago, and Cleveland—are lagging in economic growth and job creation. Virtually all of the nation's fastest-growing regions are predominately small business–oriented, characterized more by sprawling suburban development than high-rise office towers.

This change in economic-development patterns also suggests that Los Angeles—which according to recent U.S. Commerce Department surveys should pass New York City in terms of population, employment, and total personal income by the year 2000—will never achieve the absolute hegemony over the national political, economic, and cultural scenes that New York enjoyed in its heyday. "We are looking at a more deconcentrated kind of power now," observes Michael Barrone, coauthor of *The Almanac of American Politics*. "It's a rare thing when a country's leading city can be 2,400 miles from the greatest concentration of population. If it's domination, it will be more diffuse than we've seen before."

And maybe that's how it should be. Los Angeles can't presume to be the center of everything. No city can, but Los Angeles may emerge as the prototype of a new kind of American metropolis—one that seeks its sustenance not from entrenched institutions, but from the entrepreneurial verve, work ethic, and creativity of its people. □

HANDS ON

A Manager's Notebook

COMPENSATION

NATIONAL GUIDE TO SALARIES

Ever feel like you're in the dark when trying to figure out what to pay your new payroll clerk? Ever wished you had a reliable frame of reference when negotiating salary with your marketing manager at review time? Depending on your needs, it may pay to invest in one or all of the 1988 Salary Surveys from the Administrative Management Society (AMS): *Office Salaries Report, Data Processing Salaries Report,* and *Management Salaries Report.*

Each covers 20 specific positions in six regions, seven industries, 94 cities, and two company-size categories. The data include starting, average, low, and high wages; the number of companies reporting from each city; and how many employees figured into the rate calculations for more than 2,500 North American companies representing some 250,000 employees.

Each report costs $135, or get all three for $350. For more information, write: 1988 Salary Surveys, AMS, 4622 Street Road, Trevose PA 19047, or call (215) 953-1040.

QUOTE OF THE MONTH

'Keep the right goal in mind: don't look for money, look for applause. If you create something of value the sales will come.'

—Robert Ronstadt, chairman and CEO of Lord Publishing Inc., in Natick, Mass., and developer of the Academic Program in Entrepreneurial Studies at Babson College

SELLING

CUSTOMER AS SALESPERSON

You know your company is the best there is, but how do you persuade your prospective customers of that? You can't just tell them so—your testimony will be dismissed as puffery. The solution?

Use the testimony of your current customers, says Michael M. Nightingale, president and CEO of GMIS Inc., a Malvern, Pa., maker of software for the health-care industry. They're the best salespeople you've got.

As part of his basic sales pitch, whether he's trying to land a new customer or obtain a bank loan, Nightingale hands out a list of his 60 current customers and suggests the person on the other side of the desk call some of them to find out more about GMIS.

"If they ask me to pick the names," he says, "I give them people who will rave about us *and* at least one company where we had problems. People know that things don't always go well. What's important to them is how you deal with that. By giving them the name of a place where we fell down at first—but bent over backward to correct the problem—they find out. It's much more effective than anything I can say."

Do the referenced customers mind? Not in Nightingale's experience. "They're happy to help out." □

MOTIVATION

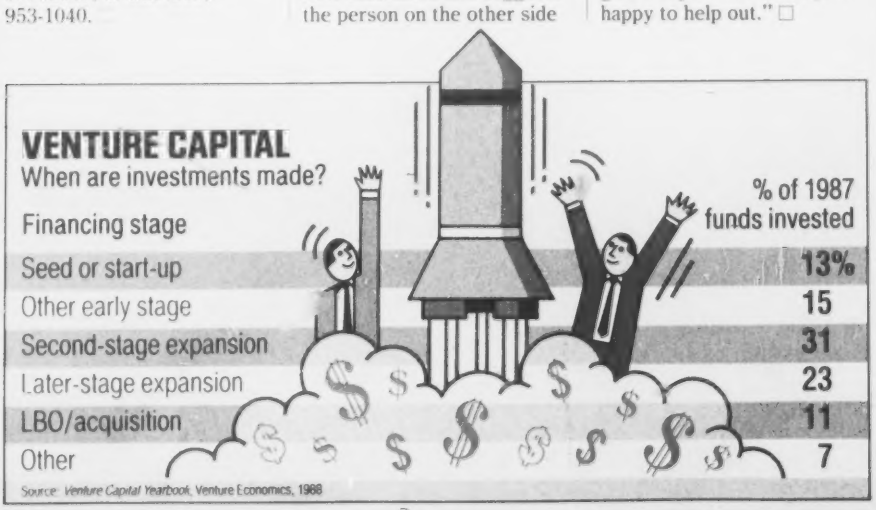
SENDING REPORT CARDS HOME

To help his salespeople reach their goals, Tony Frederick has found an effective way to get their spouses involved.

Frederick, CEO of FrederickSeal Inc., in Bedford, N.H., a marketer of industrial sealing devices, holds a party every January for his salesmen and their wives (Frederick's sales force is all male). There, he announces an expenses-paid December vacation for each couple that meets specific selling goals for the year. Last year the winners went to Acapulco; the destination in 1989 is Aruba. Every month Frederick sends report cards home to the spouses, detailing how well their husbands are moving toward their goals.

The system, says Frederick, motivates the women to help out at home. It gives them added reason to be tolerant of their husbands' long hours, too. "A salesman can tell his wife he's doing great, but each month she really finds out," says Frederick.

The report card also keeps the reward squarely in view at all times. "Most people can't keep their eye on the target when it's so far away," Frederick says. "We make it more immediate." □



CHARTS: CYNTHIA DAVIS

HANDS ON

MANAGING PEOPLE

Helping care for the kids

Benefit or work-schedule policy that aids employee child care	% of companies with 10 to 49 employees that offer benefit or maintain policy
Employer-sponsored day care	1.9%
Assistance with child-care expenses	2.4
Child-care information or referral services	4.3
Counseling services	3.8
Flextime	45.1
Voluntary part-time	36.0
Job sharing	16.0
Work at home	9.2
Flexible leave	43.8

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1988

COMMUNICATING

HIGHLIGHT THE HOOK

Whether you're using the mail to pitch a product or appeal for help, it can be hard to know how much information to send along. Send too little material and it becomes meaningless, but send too much, and your prospect might not read it. Instead of either/or, how about both/and? Highlight key points in yellow, suggests David Yoho, president of The Professional Educators Group (who follows his own advice).

Yoho doesn't suggest trying to make an entire sale by mail. The highlights should serve as a hook—enough of one that prospects will get on the phone when you follow your mailing with a call. Your prospects may never read your entire packet, or they may not read it until after you've talked. But at least they knows that it's there, and that there's substance to back up your highlighted claims. □

SERVICE

EASY MONEY

Sometimes even your guaranteed service falls short. The job then, according to G.O.D. (Guaranteed Overnight Delivery) Inc. CEO Walter Riley, is to turn that minus into a plus. G.O.D. doesn't just offer a money-back guarantee—it sends customers their refunds even before they ask for them.

The Kearny, N.J., overnight express-freight company sends the accounting department an invoice, but it sends the purchasing agent a report detailing the previous month's deliveries and dates missed (if any) and a refund check made out to purchasing. Why not deal just with accounting? "Because the people who pay the bills don't decide who to use," Riley says. "This kind of itemized report really impresses purchasers, who 99% of the time don't even know they should get money back. A record and check is relatively simple for us to generate but would be a hassle for them. And they look better upstairs."

The policy not only provides Riley's salespeople with more ammo, but it reminds purchasing agents that G.O.D. is an *overnight* delivery service—unlike most other freight services. And it keeps company performance statistics rigorously up to date, enabling Riley to take the pulse of G.O.D at any given moment. □

MANUFACTURING

THE SAFETY GAME

As any factory operator knows, productivity suffers badly when shop-floor accidents cause lost work time. Can simple incentives encourage manufacturing employees to work safer? Melia Peavey thinks so. She encourages more careful work habits by setting up a daily game of bingo.

Here's how it works: Meridian, Miss.-based Peavey Electronics Inc. issues bingo cards to employees at each of its manufacturing plants. At the end of any day in which there has been no lost time due to accidents, a number is called over the PA system. Making bingo is worth a $100 U.S. savings bond.

"It works because it's so simple for employees to keep up with," says Peavey, the company's vice-president. "And it makes a nice close to the day."

Since the company introduced the game seven years ago, Peavey reports, the average lost time per employee due to on-the-job accidents has fallen by about 20%. □

MARKETING

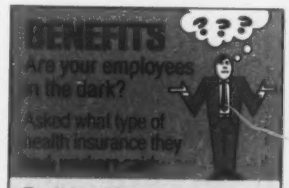
PACKAGE DEAL

Competing on price means more than just offering a lower rate. For providers of professional services in particular, it can help to be innovative in the *way* you price your work.

James E. MacDougald, CEO of Applied Benefits Research Inc., in Clearwater, Fla., says he enjoys a major advantage by charging a package rate rather than by the hour. Clients don't feel like they're writing a blank check; they know exactly how much they will pay for his firm's consulting work on employee benefits. And because the second half of the payment is due only on satisfactory completion of the work, customers feel they are guaranteed a top-notch job.

That arrangement keeps MacDougald and his employees working hard on quality. "It forces you to sharpen your quality control," says MacDougald. "You can't ever afford to get fat and lazy. I like that pressure—it makes us behave as the customer wants us to behave."

For the system to work, according to MacDougald, a provider must be well organized as well as self-confident. "The key is to define the project in advance," he says. □



Traditional fee-for-service plan	33.4%
HMO	10.1
Preferred-provider organization	5.7
Uninsured	8.4
Other	18.1
Don't know	24.3

Almost 25% of surveyed employees didn't know what kind of health coverage their employers provided.

Source: Corroon & Black Inc., 1988

Reported by Paul B. Brown, Teri Lammers, Martha E. Mangelsdorf, Stephen D. Solomon, and Ellie Winninghoff

HELLO? HELLO?

Voice mail can solve many of your telephone-answering problems—provided you get the right system

BY CARY LU

It happens to everyone in business—usually several times a day. You call someone who isn't in. Rather than dictate a long message to a busy receptionist, you leave your name and phone number, which the receptionist jots down on a pink "while you were out" slip. When the call is returned, you're the one who is out, so you find a pink slip on your desk, and the game of telephone tag is off and running. It can take three calls to get two business parties talking to each other—provided the pink slips get to their desks in the first place. There must be a better way.

For some companies, voice mail—telephone technology that manages messages without paper—may be the solution. The simplest form of voice mail is an answering machine. Connected to your office phone, an answering machine lets callers leave any kind of message, however long or complicated, and you can retrieve your messages by calling in from wherever you are. If both you and the person you are trying to reach have answering machines, you can even have a dialogue of sorts.

But answering machines are designed for use at home, not at a business, so they are limited in what they can do. A business alternative is a complete voice-mail system. Here's what such a system can do.

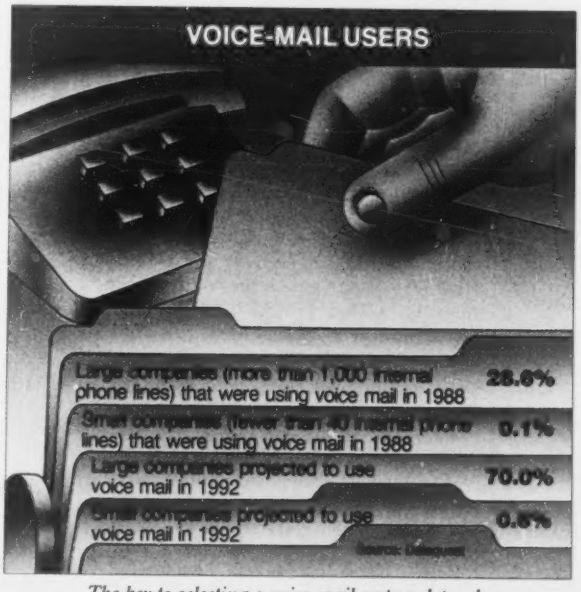
☐ **Serve many people.** Every person with a phone in effect has a private answering machine with a personalized greeting.

☐ **Record personal messages.** You can record messages that will be played back only to persons who have been given a special access code. You could, for example, record information about flight and arrival time that could be retrieved only by the person meeting you at the airport.

☐ **Forward messages.** When you are away from your usual phone, a voice-mail system can record an incoming message, then call you wherever you are and play the message back; you don't have to continually call your "mailbox" to find out if you have any messages.

☐ **Distribute messages.** You can record a message and have the system route it to several people—to all of your sales force, for example.

☐ **Screen and hold calls.** A few systems greet incoming calls with a recording ("You have dialed John Smith on extension 413. What is your name, please?"). John Smith hears who is on the line and can answer the call or direct the voice-mail system to take a message ("John Smith is not able to take calls right now. You may leave a message after this tone"). Callers who are put on hold are told how many people are waiting ("You are the third caller waiting to talk to John Smith. You may continue to wait, or you may leave a message by pressing 1").


VOICE-MAIL USERS
Large companies (more than 1,000 internal phone lines) that were using voice mail in 1988
28.6%
Small companies (fewer than 40 internal phone lines) that were using voice mail in 1988
0.1%
Large companies projected to use voice mail in 1992
70.0%
Small companies projected to use voice mail in 1992
0.6%

The key to selecting a voice-mail system depends less on features than on the service that will be provided.

SAM WARD

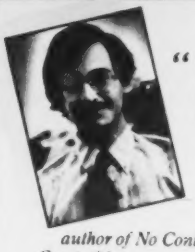
☐ **Provide a bulletin board.** Employees can phone in for messages of general interest, such as office closings or the date of the company picnic. Bulletin boards can be open to everyone or restricted to authorized persons with an access code.

☐ **Furnish access to a computer database.** An elaborate voice-mail system can be tied into a company's main computers so that, for example, salespeople can look up inventory and customers can call in and track the progress of their orders.

☐ **Serve as an automatic attendant.** Most voice-mail systems can go beyond taking and routing messages, answering all phone calls automatically with a standard recording ("Thank you for calling the Acme Co. If you know the extension of the person you are calling, please dial the extension now. Dial zero for an operator"). Many calls can thus bypass the receptionist. An automatic attendant can also eliminate the need for a special "night-line" arrangement after office hours.

If your company is expanding rapidly, buying your own voice-mail equipment may not be a good idea, as you could quickly outgrow the system. But you can contract for the service through bureaus that operate like traditional answering services. Some local telephone companies sell voice-mail services in much the same way as they sell call waiting or call forwarding. Either way, the equipment is on somebody else's premises but is connected to your telephone lines. The price for this convenience tends to be high, and you are usually limited to basic features.

If your operations are stable enough so that buying a system makes sense, you can select from more than 40 vendors. Usually, the equipment is installed in your office and connected directly to your phone lines or PBX (private branch exchange) system. The price is based on three main variables: the number of telephone lines a system can handle, the system's storage capacity, and the amount of support provided. The price does not have much to do with a system's features; even the least expensive system offers a full array of options. And if you think about how most people use their phone systems, it's likely that many of these features will never be used anyway. Most of us learn only the simplest phone functions: "I'll try to transfer you, but if you get disconnected, dial this number. . . ." As a result, selecting a voice-mail system depends less on features than on other factors, such as the service that will be provided. Look for ex-



" The ideal amount of competition in your company is none at all. "

Alfie Kohn, *author of No Contest: The Case Against Competition.*

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MANAGING TECHNOLOGY

pandable systems or for a dealer who will let you trade up when necessary.

Low-end systems are designed for small offices with up to four incoming phone lines, or for a small work group within a company that does not have a comprehensive voice-mail system. The low-end products are built as accessory circuit boards that can fit into an IBM PC or clone. Prices are modest: about $300 to $1,000 retail for the boards, plus about $1,200 for a computer, which you may have already. Most of these systems allow you to continue running other programs on the computer at the same time. (For a good survey of this class of products, see "Voice Mail Systems," *PC Magazine*, January 17, 1989.)

The main voice-mail market consists of midlevel systems selling for $10,000 to $40,000, which can handle from 10 to 400 people. Prices are falling, and systems capable of serving 10 to 50 people should be available for less than $5,000 by the end of this year, although installation charges may raise the price. (There are also high-priced systems, but these are designed to cope with many hundreds or thousands of users.) Midlevel systems normally work in conjunction with a PBX or on Centrex (a phone system in which each extension has its own complete phone number).

A computer user with some experience can put in the software for low-end systems, but for mid- to high-level systems, professional installers usually start them and make any major changes needed in the software, which specifies how calls are routed, sets up mailboxes, and so on. Some newer systems come with microcomputer software that lets you set up and reconfigure your own system. Nonetheless, the quality of support from your dealer is the most important factor in buying mid- and high-level voice-mail systems.

When you are considering whether voice mail is appropriate for your company, don't ignore the human factor, on both the calling and receiving ends. Callers with rotary-dial phones will not be able to use voice mail at all—it can be operated only from touch-tone telephones. People who refuse to talk to answering machines aren't going to like voice mail either. If you think your calling public will be put off by voice mail, yet you want a system for internal use, consider having a public telephone number that is answered by a receptionist and a separate, private phone number connected to a voice-mail system for employees and people with whom you regularly do business.

Think carefully, too, about what your messages say; remember, your callers will have to slog through the same greeting every time they call. Avoid long, tedious menus that encourage callers to hang up ("Welcome to the Acme Co.'s electronic voice-mail system. Press 1 for sales; press 2 for service; press 3 for . . . "). Too many voice-mail menus seem more intent on showing off the system than speeding up calls. Some installations even force callers to listen to editing choices at each step ("Press #1 if you want to replay your message; press #2 if you want to add to your message; press #3 if you want to erase your message . . . "). You'll want your menu to be short and efficient and to assure callers immediately that help is on the way even if they don't punch any buttons. Calls should always go to an operator if the caller does not make a choice within a few seconds, and people familiar with the system should be able to punch in their choices regardless of what the system might be saying.

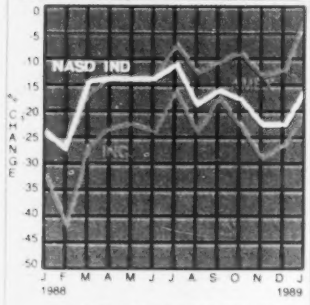
Menus are easy to change; voice-mail hardware is not. And it is the hardware that determines how you get incoming messages. The design of most current mid- and high-level systems makes them clumsy to use if you have more than a few messages. Unlike pink slips, voice mail doesn't let you see all your messages at a glance. Since you can operate the system only through a telephone, you have to concentrate and listen; instead of shuffling slips of paper, you have to carefully press buttons on the phone. On most systems, you have to listen to all your messages—whether 2 or 20—in sequence, and trying to find that one important message is a nuisance. Even though some systems let you skip over messages, it is still difficult to keep track of where you are; you can easily miss a brief message if you are momentarily diverted.

Problems like these could be alleviated if phone networks, voice mail, and computers were all integrated. Such convenience now comes only with a few low-end PC circuit-board systems and Wang's voice-mail package. These systems allow you to bring up a list of your messages on the screen, listen selectively, and annotate messages while you are listening. Calls are sorted by time and date, and you can group messages and retrieve them later.

One day, comprehensive message management will integrate voice mail with electronic mail. Then you'll be able to see every message, regardless of origin; when you select a message, it will be displayed on your computer screen if it has come via electronic mail, or it will be played through a speaker if it is voice mail. If you retrieve messages from a telephone, you will have the option of having the computer "read" your electronic mail to you with speech synthesis. With a properly set up system and a cellular telephone in your car, you need never miss a message again. □

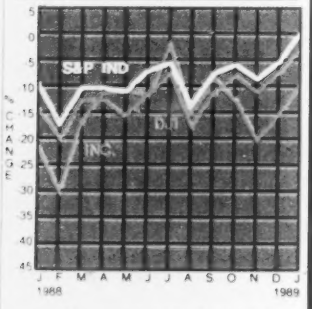
INVESTING IN GROWTH COMPANIES

INC. vs. CONSERVATIVE AVERAGES



All averages start at 0 in October 1987

INC. vs. SPECULATIVE AVERAGES



All averages start at 0 in October 1987

IPOs IN THE AFTERMARKET

INITIAL PUBLIC OFFERINGS: DECEMBER 1988

O-T-C sym.	Company	Business/product	Offering Size ($mil.)	Offering Price	First aftermarket bid	Underwriter
BBV[b]	Banco Bilbao Vizcaya, S.A.	Commercial bank	163.13	36.25[d]	35¾	Goldman, Sachs
BLIS	Bliss & Laughlin Industries	Mfrs. & mkts. steel bars	8.93	10.50	10½	Blunt, Ellis
BST[b]	British Steel PLC	Mfrs. steel	420.84	11.22[e]	11⅜	Goldman, Sachs
CBLMU	CBL Medical	Manages health facilities	1.50	2.50[f]	2½	Paulson Investment
ERCE	ERC Environmental & Energy Services	Environmental research & consulting	11.20	7.00	7	Smith Barney
FLX[c]	Flexible Bond Trust	Closed-end fund	67.50	10.00	10	Paine Webber
FMCO	FMS Financial	Savings & loan holding co.	4.76	7.75[g]	7¾	Merrill Lynch
GLO[c]	Global Ocean Carriers	Acquires carriers	22.50	15.00[h]	14⅜	Merrill Lynch
GNWF	GNW Financial	Savings & loan holding co.	2.41	8.75[i]	9	Merrill Lynch
GWBB	Greenwood Bank-Bethel	Commercial bank	6.80	10.00	10	First Albany
HIFS	Hingham Institution for Savings	Savings bank	6.41	8.50[j]	8½	Keefe Bruyette
HTXA	Hitox	Produces pigments & extenders for plastics cos.	10.20	8.50	8½	Eppler, Guerin
HKT[b]	Hong Kong Telecommu-nications	Telecomm. co.	105.43	17.50[k]	18¼	Prudential-Bache
IBCO	International Barrier	Mfrs. highway barriers	5.01	7.00	7⅛	Josephthal
KLOC	Kushner-Locke	Develops & produces TV series	5.00	5.00[l]	5½	Stuart James
a	LaserMax	Develops & mkts. interface & applications software	0.90	5.00[m]	5	Neidiger, Tucker
OCLB	Office Club	Sells office products	13.50	9.00	9	William Blair
OPMCU	OptimumCare	Mkts. hospital-based programs	2.50	2.00[n]	2	Hibbard Brown
RSCNU	R*Scan	Provides weather-tracking svcs.	1.50	4.00[o]	4	L'Argent Securities
RMF[b]	RAC Income Fund	Closed-end fund	115.20	12.00	12	Shearson Lehman
WLPI	Wellington Leisure Products	Manufactures recreational products	7.13	9.50	9⅝	Interstate

Initial public offerings sold at $1 or less not included. First aftermarket bid is approximate. [a]= no symbol, [b]= trading on NYSE, [c]= trading on AMEX, [d]= each American Depository Share represents 1/2 ordinary share, [e]= 18 million ADS represents 180 million ordinary shares, [f]= units of 1 common + 1 warrant, [g]= an additional 660,686 shares sold by subscription, [h]= an additional 1.5 million shares were offered overseas, [i]= 1.7 million shares offered via subscription, [j]= 496,168 shares sold by subscription, [k]= each ADS represents 30 ordinary shares, [l]= units of 5 common, [m]= units of 5 common + 5 warrants, [n]= units of 2 common + 2 warrants, [o]= units of 2 common + 1 warrant. Offering data source: *GOING PUBLIC: THE IPO Reporter*, a publication of The Dealer's Digest Inc., 150 Broadway, New York NY 10038.

CHARTS: IMAGEBUILDER DESIGN

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